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1967

TRIAD OIL CO. LTD.

ANNUAL REPORT

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# TRIAD OIL CO. LTD.

## FINANCIAL AND OPERATING HIGHLIGHTS

|                       |  | 1967                | 1966         | %<br>Increase<br>(Decrease) |
|-----------------------|--|---------------------|--------------|-----------------------------|
| <b>FINANCIAL:</b>     | Gross Revenue . . . . .                                | <b>\$18,820,972</b> | \$18,456,515 | 2.0                         |
|                       | Cash Flow from Operations . . . . .                    | <b>\$10,691,563</b> | \$10,220,130 | 4.6                         |
|                       | Per Share . . . . .                                    | <b>60c</b>          | 57c          |                             |
|                       | Net Earnings . . . . .                                 | <b>\$ 2,290,355</b> | \$ 1,987,580 | 15.2                        |
|                       | Per Share . . . . .                                    | <b>13c</b>          | 11c          |                             |
|                       | Long Term Debt . . . . .                               | <b>\$63,964,284</b> | \$70,530,896 | (9.3)                       |
| <br><b>OPERATING:</b> | Crude Oil and Natural Gas Liquids                      |                     |              |                             |
|                       | – Annual sales in barrels . . . . .                    | <b>5,864,931</b>    | 6,240,371    | (6.0)                       |
|                       | – Barrels per day . . . . .                            | <b>16,068</b>       | 17,097       |                             |
|                       | Natural Gas  |                     |              |                             |
|                       | – Annual sales in thousands of<br>cubic feet . . . . . | <b>13,869,000</b>   | 11,871,000   | 16.8                        |
|                       | – Thousands of cubic feet per day .                    | <b>37,995</b>       | 32,522       |                             |
|                       | Sulphur  |                     |              |                             |
|                       | – Annual sales in long tons . . . . .                  | <b>66,226</b>       | 57,970       | 14.2                        |
|                       | – Long tons per day . . . . .                          | <b>181</b>          | 159          |                             |

## BOARD OF DIRECTORS

|                      |   |                 |
|----------------------|---|-----------------|
| C. R. T. Cunningham  | Vice-President and Director<br>Cochran, Murray & Co. Limited  | Toronto         |
| A. F. Down, OBE, MC  | A Managing Director of<br>The British Petroleum Company Limited   | London, England |
| Peter Kilburn        | President<br>Greenshields, Incorporated   | Montreal        |
| F. A. McKinnon       | Vice-President and General Manager<br>Triad Oil Co. Ltd.  | Calgary         |
| D. F. Mitchell       | President<br>The British Petroleum Company of<br>Canada Limited and BP Canada Limited   | Montreal        |
| J. M. Pattinson, CBE | Formerly a Deputy Chairman and a<br>Managing Director of The British<br>Petroleum Company Limited, London,<br>England – now retired | London, England |
| M. M. Pennell        | Managing Director<br>BP Exploration Company Limited   | London, England |
| J. H. Porter         | President<br>Triad Oil Co. Ltd.   | Calgary         |
| C. R. Tanner         | Director<br>Tanner Bros. Limited  | Vancouver       |
| E. H. Tanner, OBE    | Director<br>Tanner Bros. Limited  | Calgary         |

## OFFICERS

Chairman of the Board  
 President  
 Vice-President and General Manager  
 Vice-President and Exploration Manager  
 Secretary-Treasurer and Administration Manager  
 Assistant Secretary-Treasurer and Controller

D. F. Mitchell  
 J. H. Porter  
 F. A. McKinnon  
 E. W. Best  
 J. I. Rawlinson  
 K. T. Allison

## REPORT TO THE SHAREHOLDERS:

Triad's activities in 1967 were marked by a number of exploration successes and by continuing steady improvement in the Company's position.

Net earnings for the year were \$2,290,355, up 15.2% on the previous year.

Gross revenue totalled \$18,820,972, some 2.0% higher than in 1966. The effect of a decline in crude oil and gas liquids production was more than offset by increases in gas and gas products sales and improved prices received for sulphur.

Our first year of joint exploration activity with other BP subsidiaries has been encouraging. Our land holdings have been augmented with properties of both short and long term interest. Our current winter drilling program has just been completed, resulting in a number of exploration successes. Two of these were reef oil discoveries and a third was a sour gas discovery in the South Kaybob area. A further program of work is planned for these areas in 1968 to assess the potential of the discoveries.

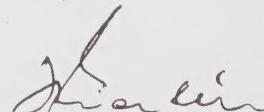
There has been a marked improvement in the past year in the outlook for the petroleum industry in Western Canada. The recent exemption of Canada from the new U.S. investment curbs has removed a major area of uncertainty and, in the longer term, the growing demands of North America seem likely to be met increasingly from Canadian sources. It is gratifying to note that oil pipeline deficiencies, which were highlighted by the Middle East crisis in mid-1967 and which prevented the industry in Canada from making its full contribution to the oil needs of the continent at that time, are now being remedied. In addition, recent agreements for export to the U.S. of additional quantities of natural gas and the construction by Trans-Canada Pipe Lines Limited of its Great Lakes loop line places the industry in a position to supply increasing quantities of natural gas to the U.S. and Eastern Canada.

Triad's plans for 1968 include a contribution of \$3 million to a joint exploration program in Canada with other BP subsidiaries, totalling some \$6 million. These funds will be applied to a continuation of the more diversified exploration program started last year. The balance of Triad's cash flow is being applied to routine development and the reduction of long term debt and, thus, the build-up of equity value. Net production of crude oil in 1968 is expected to be maintained at about the 1967 level. There will be increases in gas and sulphur sales and it is estimated that net income for the year will show a moderate increase over the previous year.

The Directors wish to acknowledge the contribution made to the Company's affairs by Mr. J. McV. Luard who resigned from the Board during 1967 on his retirement from The British Petroleum Company. Mr. M. M. Pennell, Managing Director of BP Exploration Company Limited, was appointed to the Board to fill this vacancy, and Mr. C. R. T. Cunningham, Vice-President of Cochran, Murray & Co. Limited, was appointed an additional director.

It is my pleasure to express, on behalf of the Directors, their appreciation for the efforts, enthusiasm and continuing support of all personnel in meeting the additional challenges of our expanding operations.

Submitted on behalf of the Board,



J. H. PORTER, President

Calgary, Alberta  
March 29, 1968



# REVIEW OF OPERATIONS

## EXPLORATION AND DEVELOPMENT:

Exploration in 1967 resulted in several significant discoveries and field extensions. It was an encouraging start to an enlarged program of exploration based on the agreement reached in December 1966 for joint ventures with associated companies of the British Petroleum Group.

As a result of the arrangement, these joint expenditures on exploration (excluding development) in 1967 amounted to some \$6 million, of which Triad's share was \$3.13 million. The enlarged budget, in addition to reducing the overheads borne by Triad, has made possible a considerable improvement in exploration land holdings which, as can be seen on the accompanying map, now provide better representation, geologically and geographically, throughout Western Canada.

Towards the end of 1967 the Triad Group achieved encouraging results in two wells at South Nevis and East Buffalo in east-central Alberta. Both were Devonian oil discoveries. The accu-

mulations are in reef pools of small areal extent but substantial thickness, and receive high producing allowables. The nature of the discoveries makes development drilling unnecessary. Triad has assembled approximately 190,000 acres in lease permits and options in the general area, and further exploration is continuing in 1968.

Also in east-central Alberta, Triad participated in the discovery of a low-gravity (24° A.P.I.) oil pool, four miles southwest of the Chauvin oilfield, in which Triad has a major interest. The discovery was made in the Lower Cretaceous Sparky formation, encountering 30 feet of net pay at a depth of 2000 feet. Development drilling has resulted in three additional oil wells and will be continued later in 1968. At the main Chauvin field, further development drilling was carried out resulting in 10 additional oil wells and one dry hole. With the reservoir now delineated, the initial pilot waterflood is being expanded to a full-scale project. Triad's interest in the enlarged unit is 86.5%.

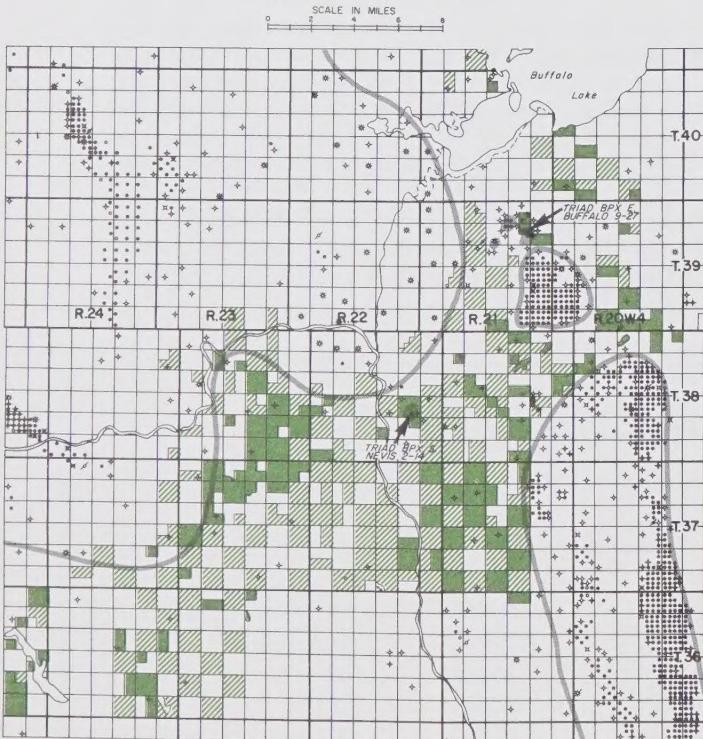
## MAIN RESULTS OF 1967 EXPLORATION

| Location      | Nature                          | Producing Formation | Depth feet | Net Pay feet      |
|---------------|---------------------------------|---------------------|------------|-------------------|
| South Nevis   | Oil (32° API)                   | D3                  | 5,760      | 226               |
| East Buffalo  | Oil (30° API) & Gas             | D3                  | 5,450      | 88 (oil) 10 (gas) |
| Fox Creek     | Wet sour gas                    | Beaverhill          | 11,000     | confidential      |
| South Chauvin | Oil (24° API)                   | Sparky              | 2,000      | 30                |
| Sullivan Lake | Gas                             | Viking              | 3,200      | 17                |
| East Calgary  | { Oil (33° API)<br>Wet sour gas | Elkton              | 6,950      | 26                |
|               |                                 | Crossfield          | 8,260      | 47                |

Early in 1968 Triad and partners completed an important Beaverhill reef well at Fox Creek, 140 miles northwest of Edmonton, indicating a southward extension of the South Kaybob condensate and sulphur bearing gas field. The discovery was one of three wells drilled by oil companies prior to the Alberta Government land sale on January 23, 1968, at which a nearby drilling reservation was sold for a record high price. Triad had previously acquired 1,880 net acres in the area which continues to be a focal point of interest. A number of additional wells are currently being drilled by other companies.

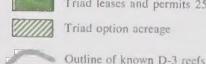
Other exploration in Alberta resulted in a Viking gas discovery at Sullivan Lake and a well in the East Calgary area which established an extension of the Devonian Crossfield sour gas field. The latter well also found Mississippian oil which is now being produced. No further development drilling is warranted in the East Calgary area following an unsuccessful offset well which had

SOUTH NEVIS AND E. BUFFALO  
LAKE AREAS  
ALBERTA, CANADA



## LEGEND

- \* Gas well
  - \* Suspended gas well
  - \* Gas and oil well
  - \* Oil well
  - \* Suspended oil well
  - ✖ Water injection well
  - ✖ Proposed water injection well
  - + Dry and abandoned
  - ✗ Standing suspended
  - \* Location



#### Outline of known D-3 reefs

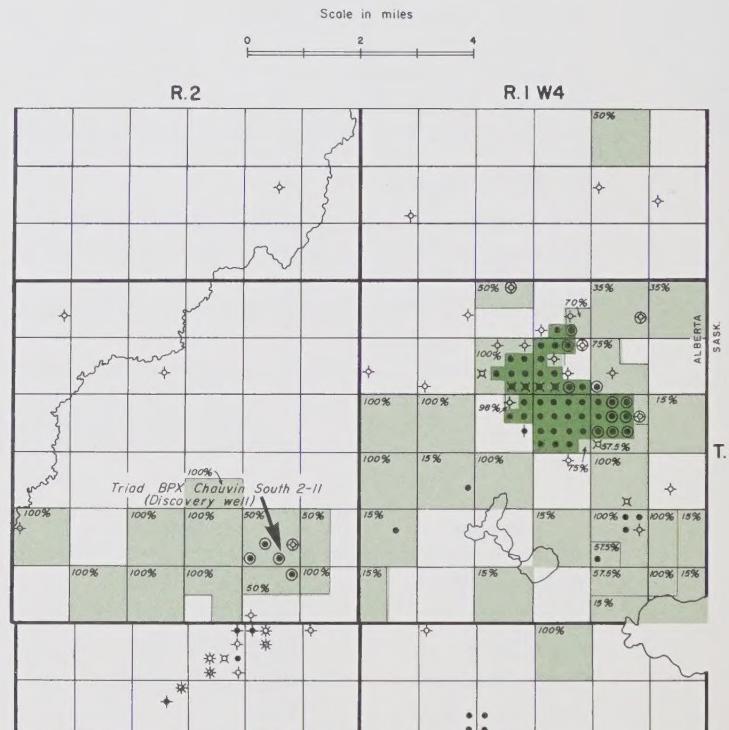
→ Discovery wells

insufficient productivity for completion. In 1968 two additional exploratory gas wells and one unsuccessful test have been drilled at Sullivan Lake and more drilling is planned.

Follow-up drilling to the Company's Beaverhill oil discovery at Ante Creek proved disappointing. Two additional oil wells were drilled in 1967, but a stepout well failed to find reef and was abandoned. Depth to the producing horizon is 11,000 feet. Development drilling was stopped, the area being only marginally economic under the present Alberta prorationing system.

No further exploration is planned in the current year at Sukunka in the foothills of British Columbia, where Triad and partners found sour gas in 1965 in the Triassic reservoir. A stepout well to the south, drilled in 1967, was abandoned and follows on a similar abandonment to the northwest in 1966. The area remains of interest for its longer term potential.

# CHAUVIN AND SOUTH CHAUVIN AREA ALBERTA, CANADA



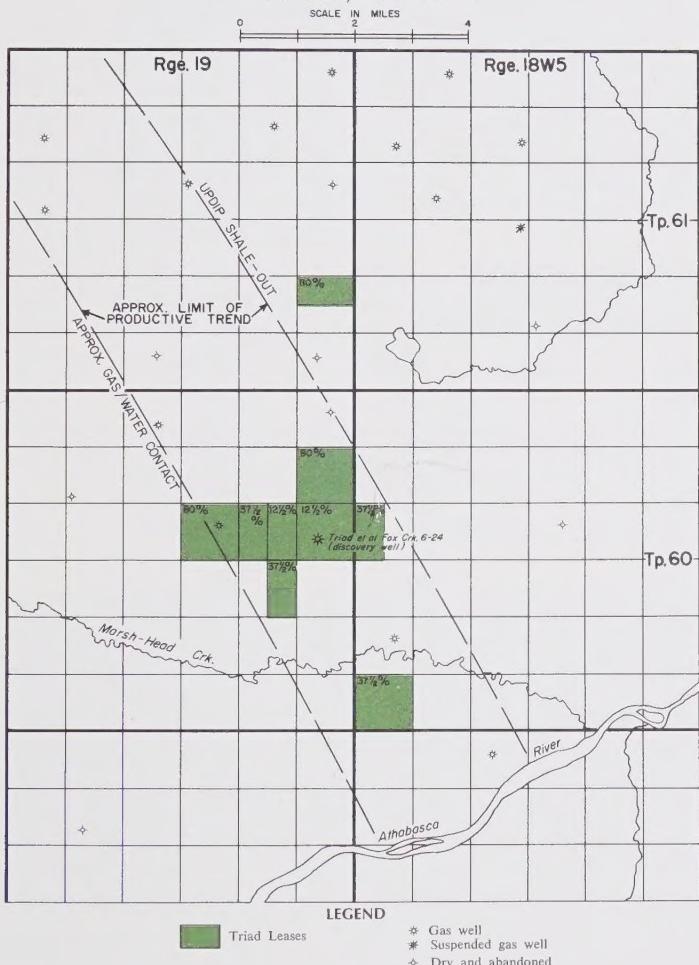
## LEGEND

- The map displays the location of the Triad Group Leases and the Unitized Area. The legend indicates the following symbols:

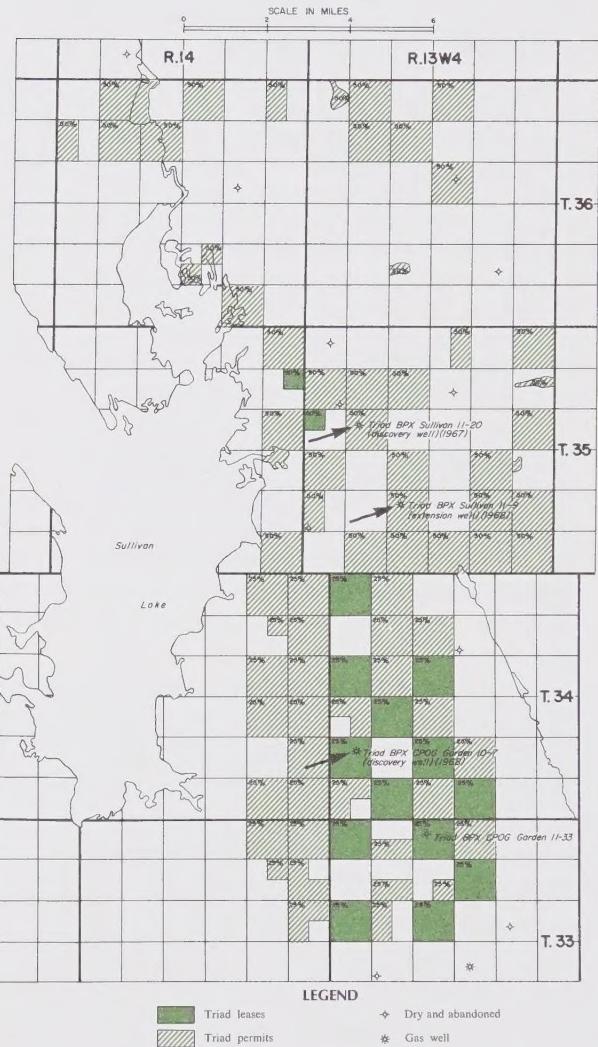
  - Gas well (star)
  - Dry and abandoned (diamond)
  - Water injection well (square)
  - Proposed water injection well (triangle)
  - Suspended oil well (inverted triangle)
  - 1967 wells (circle)

A callout box highlights the Unitized Area, which covers approximately 85.6% of the total lease area.

## FOX CREEK AREA ALBERTA, CANADA



## SULLIVAN LAKE AREA ALBERTA, CANADA



## HEAVY OIL EXPERIMENTAL PROJECT:

Since 1965 Triad and BP have conducted an experimental project at Marguerite Lake (in the Cold Lake area of Alberta, about 170 miles northeast of Edmonton). The purpose is to determine the economic feasibility of large-scale commercial production of heavy oil of 10° to 12° A.P.I. which occurs in several thick zones at

depths from 1000 to 1600 feet. The joint group, in which Triad's interest is 10%, holds 155,000 acres in an area where oil in place has been estimated to amount to as much as 100 million barrels per section. Results in 1967 were sufficiently encouraging to justify continuing the experiment on an expanded scale.

## RESERVES:

Additions to oil reserves at Chauvin, as a result of development drilling and the enlarging of the waterflood project, together with new reserves discovered at South Nevis and East Buffalo, were almost sufficient to replace the year's production. Natural gas reserves were up on the previous year and sulphur down fractionally.

The Company's net proven reserves at the end of 1967 with comparative totals for 1966 are shown in the adjacent table:

|                  | Crude Oil<br>and Liquids<br>(million<br>bbls.) | Natural<br>Gas<br>(billion<br>cu. ft.) | Sulphur<br>(long tons) |
|------------------|--|--|------------------------|
| Alberta . . .    | 68.3   | 565                                    | 1,320,000              |
| Saskatchewan .   | 19.1   | 7                                      | —                      |
| British Columbia | 3.6  | 38                                     | 122,000                |
| At end 1967 .    | 91.0   | 610                                    | 1,442,000              |
| At end 1966 .    | 92.0   | 601                                    | 1,480,000              |

## PRODUCTION:

Increases in production of crude oil and gas liquids from the Company's high reserve pools in Alberta were more than offset by the restriction of production in Saskatchewan due to market prorationing, by the natural decline of a number of older wells, and by the sale of producing properties in Ontario in mid-1966. The net result was oil production of 16,068 barrels per day in 1967 compared to 17,097 barrels per day in 1966. With the anticipated resumption of normal marketing conditions in Saskatchewan, production in 1968 is estimated to remain at about the 1967 level.

Natural gas sales averaged 38 million cubic feet per day, an increase of 17% over sales of 32.5 million cubic feet per day in 1966. Sulphur sales in 1967 increased by 14%, to 66,226 long tons, compared to 57,970 long tons in 1966.

The major portion of the Company's production of natural gas and gas products comes from the Edson and Okotoks fields in Alberta. During 1967 gas production was initiated from the Company's interests in the Ghost Pine area. It is anticipated that gas and sulphur sales in 1968 will show small increases over 1967 levels.

## OIL PRODUCTION - NET

### DAILY AVERAGE BARRELS

| Alberta                   | 1967             | 1966             |
|---------------------------|------------------|------------------|
| Redwater .....            | 1,602            | 1,520            |
| Inverness .....           | 1,467            | 1,416            |
| Pembina .....             | 1,198            | 1,252            |
| Sturgeon Lake South ..... | 761              | 800              |
| Chauvin .....             | 689              | 563              |
| Swan Hills .....          | 657              | 548              |
| Harmattan-Elkton .....    | 325              | 342              |
| Snipe Lake .....          | 206              | 218              |
| Stony Plain .....         | 194              | 178              |
| Ante Creek .....          | 177              | 21               |
| Other areas .....         | 903              | 826              |
| Sub total .....           | 8,179    50.9%   | 7,684    44.9%   |
| British Columbia          |                  |                  |
| Beaton River .....        | 994              | 1,427            |
| Other areas .....         | 14               | 2                |
| Sub total .....           | 1,008    6.3%    | 1,429    8.4%    |
| Saskatchewan              |                  |                  |
| Dollard .....             | 2,250            | 2,690            |
| Steelman .....            | 1,073            | 1,180            |
| Weyburn .....             | 1,024            | 1,100            |
| Instow .....              | 710              | 897              |
| Rapdan .....              | 255              | 309              |
| Parkman .....             | 224              | 237              |
| Arlington .....           | 189              | 197              |
| Wapella .....             | 186              | 205              |
| Arcola .....              | 179              | 214              |
| Other areas .....         | 782              | 777              |
| Sub total .....           | 6,881    42.8%   | 7,806    45.7%   |
| Ontario                   |                  |                  |
| Gobles-Rodney .....       | —                | 178              |
| Sub total .....           | — —              | 178    1.0%      |
| Total All Areas .....     | 16,068    100.0% | 17,097    100.0% |

## FINANCIAL:

### LAND HOLDINGS:

Substantial changes in land holdings were made in 1967 to implement expanded exploration policies. Efforts are being further concentrated in the plains areas of Alberta, Saskatchewan and British Columbia which offer a variety of geological prospects. Triad's emphasis is on various Devonian objectives which have provided the industry's major discoveries in past years. Larger permit and reservation blocks have been secured in these areas providing greater representation. In keeping with this policy, further acreage was surrendered in several foothills areas and more farmout arrangements were made of the Company's Ontario leases. During 1968 it is planned to continue building up the land inventory and particularly to augment holdings of acreage suited to long-term exploration.

The following summarizes the increase in land holdings during the year (detailed by province in the accompanying table):

|                               | ACRES     |         |
|-------------------------------|-----------|---------|
|                               | Gross     | Net     |
| Acreage acquired . . . . .    | 1,319,270 | 688,643 |
| Acreage surrendered . . . . . | 395,242   | 278,292 |
| Increase in acreage . . . . . | 924,028   | 410,351 |

Revenue from production at \$18,671,271 was 2.6% higher than in 1966. The following table shows the sources of revenue by product:

|   | 1967                 | 1966          |
|---|----------------------|---------------|
|   | THOUSANDS OF DOLLARS |               |
| Crude oil and natural gas liquids ..... | \$13,995             | 75%           |
| Natural gas .....                       | 2,140                | 11            |
| Sulphur .....                           | 2,536                | 14            |
|   | <b>\$18,671</b>      | <b>100%</b>   |
|   |                      | \$18,197 100% |

Net earnings were \$2,290,355 compared to \$1,987,580 in the previous year - an increase of 15.2%.

Increases in operating costs were more than offset by reductions in interest payments and savings in administrative expenses, the latter reflecting economies arising from the joint exploration arrangement with other BP subsidiaries.

Redemption of the minority interest in Devon-Palmer Oils Ltd. was completed at a cost of \$2,485,761. This had the effect of reducing working capital to a deficit of \$2,307,714 at the year end after making provision for 1968 long term debt obligations of \$4,752,851.

Cash generated from operations during 1968 will be sufficient, with the assistance of short term banking accommodation, to meet the requirements for exploration and routine development and to service debt. Development of new sources of income will be financed by additional borrowings.

### LAND SUMMARY

|                               | December 31, 1966 |                  | New Acquisitions |                | Surrenders     |                | December 31, 1967 |                  |
|-------------------------------|-------------------|------------------|------------------|----------------|----------------|----------------|-------------------|------------------|
|                               | Gross             | Net              | Gross            | Net            | Gross          | Net            | Gross             | Net              |
| <b>Leases</b>                 |                   |                  |                  |                |                |                |                   |                  |
| Alberta . . . . .             | 1,240,279         | 465,176          | 158,527          | 110,809        | 95,314         | 49,878         | <b>1,303,492</b>  | <b>526,107</b>   |
| British Columbia . . .        | 570,996           | 353,867          | 23,507           | 8,606          | 19,965         | 12,374         | <b>574,538</b>    | <b>350,099</b>   |
| Saskatchewan . . . . .        | 211,186           | 81,032           | 41,839           | 15,537         | 21,112         | 12,522         | <b>231,913</b>    | <b>84,047</b>    |
| Ontario . . . . .             | 35,985            | 3,141            | -                | -              | 3,790          | 579            | <b>32,195</b>     | <b>2,562</b>     |
| Total . . . . .               | <b>2,058,446</b>  | <b>903,216</b>   | <b>223,873</b>   | <b>134,952</b> | <b>140,181</b> | <b>75,353</b>  | <b>2,142,138</b>  | <b>962,815</b>   |
| <b>Reservation and Permit</b> |                   |                  |                  |                |                |                |                   |                  |
| Alberta . . . . .             | 481,931           | 336,417          | 452,273          | 365,722        | 67,200         | 81,600         | <b>867,004</b>    | <b>620,539</b>   |
| British Columbia . . .        | 103,629           | 32,056           | 133,679          | 48,334         | 73,243         | 26,151         | <b>164,065</b>    | <b>54,239</b>    |
| Saskatchewan . . . . .        | 337,418           | 222,956          | 266,858          | 95,935         | 114,618        | 95,188         | <b>489,658</b>    | <b>223,703</b>   |
| Northwest Territories         | 31,162            | 31,162           | -                | -              | -              | -              | <b>31,162</b>     | <b>31,162</b>    |
| Total . . . . .               | <b>954,140</b>    | <b>622,591</b>   | <b>852,810</b>   | <b>509,991</b> | <b>255,061</b> | <b>202,939</b> | <b>1,551,889</b>  | <b>929,643</b>   |
| <b>Major Options</b>          |                   |                  |                  |                |                |                |                   |                  |
| Alberta . . . . .             | -                 | -                | 114,867          | 15,400         | -              | -              | <b>114,867</b>    | <b>15,400</b>    |
| Saskatchewan . . . . .        | -                 | -                | 127,720          | 28,300         | -              | -              | <b>127,720</b>    | <b>28,300</b>    |
| Total . . . . .               | -                 | -                | <b>242,587</b>   | <b>43,700</b>  | -              | -              | <b>242,587</b>    | <b>43,700</b>    |
| <b>Total</b>                  | <b>3,012,586</b>  | <b>1,525,807</b> | <b>1,319,270</b> | <b>688,643</b> | <b>395,242</b> | <b>278,292</b> | <b>3,936,614</b>  | <b>1,936,158</b> |

# TRIAD OIL CO. LTD. TEN YEAR STATISTICAL

## FINANCIAL

|   | 1967                 | 1966       |
|---|----------------------|------------|
| Gross Revenue . . . . .   | <b>\$18,821,000</b>  | 18,456,000 |
| Operating Expense . . . . .   | <b>\$ 3,279,000</b>  | 3,079,000  |
| General and Administrative Expense . . . . .                        | <b>\$ 883,000</b>    | 931,000    |
| Interest Expense . . . . .  | <b>\$ 3,967,000</b>  | 4,226,000  |
| Cash Flow . . . . .   | <b>\$10,692,000</b>  | 10,220,000 |
| Per share . . . . .   | 60c                  | 57c        |
| Net Earnings (Loss) . . . . .                                       | <b>\$ 2,290,000</b>  | 1,988,000  |
| Per share . . . . .   | 13c                  | 11c        |
| Long Term Debt . . . . .  | <b>\$63,964,000</b>  | 70,531,000 |
| Working Capital . . . . .   | <b>\$(2,308,000)</b> | 1,666,000  |
| Expenditures on exploration . . . . .                               | <b>\$ 3,134,000</b>  | 3,685,000  |
| Expenditures on development including plant and equipment . . . . . | <b>\$ 2,467,000</b>  | 2,636,000  |
| Purchases of shares in, or assets of other companies . . . . .      | <b>\$ 2,486,000</b>  | (901,000)  |
| Shareholders' Equity . . . . .                                      | <b>\$25,162,000</b>  | 22,724,000 |
| Number of shares outstanding . . . . .                              | <b>17,791,029</b>    | 17,791,029 |

## OPERATING

|   |                   |           |
|---|-------------------|-----------|
| Net sales – oil and liquids (bbls.) . . . . . | <b>5,864,931</b>  | 6,240,371 |
| – natural gas (mmcf) . . . . .                | <b>13,869</b>     | 11,871    |
| – sulphur (long tons) . . . . .               | <b>66,226</b>     | 57,970    |
| Average selling prices                        |                   |           |
| – oil and liquids (per bbl.) . . . . .        | \$ <b>2.39</b>    | 2.36      |
| – natural gas (per mcf) . . . . .             | <b>15c</b>        | 15c       |
| – sulphur (per long ton) . . . . .            | <b>\$   38.29</b> | 28.99     |
| Land Holdings                                 |                   |           |
| Gross acres . . . . .                         | <b>3,936,614</b>  | 3,012,586 |
| Net acres . . . . .                           | <b>1,936,158</b>  | 1,525,807 |

Certain adjustments have been made to previously published figures to conform to current presentation.

# SUMMARY . . . (including subsidiary companies from date of acquisition)

| 1965      | 1964       | 1963        | 1962        | 1961        | 1960        | 1959        | 1958        |
|-----------|------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 4,523,000 | 10,470,000 | 6,850,000   | 3,977,000   | 3,420,000   | 2,390,000   | 2,934,000   | 3,016,000   |
| 2,542,000 | 1,887,000  | 1,475,000   | 419,000     | 379,000     | 284,000     | 348,000     | 283,000     |
| 869,000   | 658,000    | 698,000     | 667,000     | 498,000     | 587,000     | 740,000     | 1,193,000   |
| 3,283,000 | 2,354,000  | 1,614,000   | 1,425,000   | 1,425,000   | 1,425,000   | 1,544,000   | 1,425,000   |
| 7,859,000 | 5,571,000  | 3,063,000   | 1,466,000   | 1,118,000   | 94,000      | 302,000     | 115,000     |
| 44c       | 31c        | 18c         | 9c          | 7c          | 1c          | 2c          | 1c          |
| 567,000   | (969,000)  | (1,467,000) | (1,246,000) | (1,430,000) | (3,658,000) | (3,310,000) | (4,663,000) |
| 3c        | (5c)       | (9c)        | (7c)        | (9c)        | (27c)       | (24c)       | (39c)       |
| 5,184,000 | 47,119,000 | 32,867,000  | 30,000,000  | 30,000,000  | 30,000,000  | 30,000,000  | 30,000,000  |
| 1,438,000 | 1,662,000  | 4,117,000   | 2,616,000   | 9,104,000   | 13,419,000  | 15,416,000  | 13,511,000  |
| 2,955,000 | 3,117,000  | 2,431,000   | 2,128,000   | 1,053,000   | 1,545,000   | 3,016,000   | 4,540,000   |
| 2,914,000 | 1,448,000  | 1,675,000   | 887,000     | 580,000     | 546,000     | 833,000     | 2,036,000   |
| 0,451,000 | 20,790,000 | (964,000)   | 4,931,000   | 9,931,000   | —           | —           | —           |
| 0,510,000 | 19,895,000 | 17,899,000  | 18,891,000  | 20,137,000  | 15,209,000  | 18,545,000  | 16,393,000  |
| 7,791,029 | 17,791,029 | 16,791,029  | 16,791,029  | 16,791,029  | 13,707,504  | 13,707,504  | 11,914,845  |
| 5,400,259 | 4,134,824  | 2,408,635   | 1,458,874   | 1,250,255   | 810,304     | 978,522     | 767,242     |
| 6,167     | 4,081      | 3,455       | 605         | —           | —           | —           | —           |
| 73,005    | 56,272     | 52,954      | —           | —           | —           | —           | —           |
| 2.30      | 2.22       | 2.32        | 2.40        | 2.33        | 2.26        | 2.35        | 2.52        |
| 14c       | 13c        | 13c         | 15c         | —           | —           | —           | —           |
| 15.08     | 11.20      | 11.89       | —           | —           | —           | —           | —           |
| 3,841,005 | 4,310,350  | 5,393,021   | 7,292,271   | 8,103,986   | 9,097,908   | 7,503,547   | 7,933,646   |
| 1,611,739 | 1,729,410  | 2,110,051   | 2,782,349   | 2,917,205   | 2,308,530   | 2,807,947   | 2,942,040   |

# TRIAD OIL CO. LTD. AND SUBSIDIARY COMPANIES

CON

## ASSETS

|  | 1967                        | 1966                        |
|--|-----------------------------|-----------------------------|
| <b>Current:</b>  |                             |                             |
| Cash . . . . .   | <b>\$ 1,221,728</b>         | \$ 672,078                  |
| Short term investments at market which is lower than cost . . . . .  | <b>55,080</b>               | 4,590,558                   |
| Accounts receivable –  |                             |                             |
| Affiliates . . . . .   | <b>1,749,329</b>            | 103,073                     |
| Other . . . . .  | <b>2,402,424</b>            | 3,217,540                   |
| Supplies at cost and other prepaid expenses .                        | <b>661,745</b>              | 629,752                     |
|  | <b><u>6,090,306</u></b>     | <b><u>9,213,001</u></b>     |
| <b>Investments and Advances:</b>                                     |                             |                             |
| Shares in other companies at cost (Note 3) .                         | <b>2,107,924</b>            | 2,020,596                   |
| Deposits and long term receivables . . . . .                         | <b>469,136</b>              | 397,155                     |
|  | <b><u>2,577,060</u></b>     | <b><u>2,417,751</u></b>     |
| <b>Property, Plant and Equipment at Cost:</b>                        |                             |                             |
| Producing properties . . . . .                                       | <b>91,239,740</b>           | 89,238,557                  |
| Non-producing properties . . . . .                                   | <b>14,205,880</b>           | 13,604,250                  |
| Production and other equipment . . . . .                             | <b>21,132,973</b>           | 20,098,833                  |
|  | <b><u>126,578,593</u></b>   | <b><u>122,941,640</u></b>   |
| Less –   |                             |                             |
| Accumulated depletion . . . . .                                      | <b>28,824,356</b>           | 24,734,187                  |
| Accumulated depreciation . . . . .                                   | <b>9,100,722</b>            | 7,960,663                   |
|  | <b><u>37,925,078</u></b>    | <b><u>32,694,850</u></b>    |
|  | <b><u>88,653,515</u></b>    | <b><u>90,246,790</u></b>    |
| <b>Other:</b>  |                             |                             |
| Debt discount and financing costs less amounts written off . . . . . | <b>202,988</b>              | 289,652                     |
|  | <b><u>\$ 97,523,869</u></b> | <b><u>\$102,167,194</u></b> |

# OLIDATED BALANCE SHEET DECEMBER 31, 1967 AND 1966

## LIABILITIES

| <b>Current:</b>   | <b>1967</b>              | <b>1966</b>              |
|---|--------------------------|--------------------------|
| Accounts payable and accrued liabilities . . .            | \$ 3,043,142             | \$ 1,845,121             |
| Interest accrued on long term debt . . . . .              | 602,027                  | 654,303                  |
| Long term debt due within one year (Note 4) . .           | 4,752,851                | 5,047,646                |
|   | <u>8,398,020</u>         | <u>7,547,070</u>         |
| <b>Long Term Debt (Note 4)</b> . . . . .                  | <b><u>63,964,284</u></b> | <b><u>70,530,896</u></b> |
| <b>Minority Interest in Subsidiary (Note 2)</b> . . . . . | <b><u>-</u></b>          | <b><u>1,365,275</u></b>  |
| <br>  |                          |                          |
| <b>Shareholders' Equity:</b>                              |                          |                          |
| Share capital –   |                          |                          |
| Authorized – 25,000,000 shares of no par value            |                          |                          |
| Issued – 17,791,029 shares . . . . .                      | 45,086,255               | 45,086,255               |
| Deficit . . . . .   | <u>(19,924,690)</u>      | <u>(22,362,302)</u>      |
|   | <b><u>25,161,565</u></b> | <b><u>22,723,953</u></b> |

On behalf of the Board:



Director.



Director.

\$ 97,523,869      \$102,167,194

(See accompanying notes)

## CONSOLIDATED STATEMENT OF EARNINGS

Years ended December 31, 1967 and 1966

|  | 1967                       | 1966                |
|--|----------------------------|---------------------|
| Production revenue . . . . .                                   | <b>\$18,671,271</b>        | \$18,197,477        |
| Investment income . . . . .                                    | <b>149,701</b>             | 259,038             |
|  | <b><u>18,820,972</u></b>   | <u>18,456,515</u>   |
| Deduct:  |                            |                     |
| Operating expenses . . . . .                                   | <b>3,279,199</b>           | 3,078,692           |
| Administrative and general expenses . . . . .                  | <b>883,026</b>             | 931,419             |
| Interest on long term debt . . . . .                           | <b>3,967,184</b>           | 4,226,274           |
|  | <b><u>8,129,409</u></b>    | <u>8,236,385</u>    |
| Earnings before the following deductions . . . . .             | <b><u>10,691,563</u></b>   | <u>10,220,130</u>   |
| Deduct:  |                            |                     |
| Depletion . . . . .  | <b>4,498,070</b>           | 4,585,916           |
| Depreciation . . . . .   | <b>1,318,493</b>           | 1,119,057           |
| Rentals on non-producing properties . . . . .                  | <b>625,614</b>             | 633,779             |
| Abandonments and exploration expenses . . . . .                | <b>1,812,096</b>           | 1,701,125           |
| Debt discount and expense written off . . . . .                | <b>86,662</b>              | 46,660              |
|  | <b><u>8,340,935</u></b>    | <u>8,086,537</u>    |
| Earnings before minority interest . . . . .                    | <b>2,350,628</b>           | 2,133,593           |
| Minority interest in earnings of subsidiary (Note 2) . . . . . | <b>60,273</b>              | 146,013             |
| Net earnings for the year (Note 5) . . . . .                   | <b><u>\$ 2,290,355</u></b> | <u>\$ 1,987,580</u> |

## CONSOLIDATED STATEMENT OF DEFICIT

Years ended December 31, 1967 and 1966

|  | 1967                       | 1966                |
|--|----------------------------|---------------------|
| Deficit at beginning of year . . . . .       | <b>\$22,362,302</b>        | \$24,576,557        |
| Less:  |                            |                     |
| Net earnings for the year . . . . .          | <b>2,290,355</b>           | 1,987,580           |
| Discount on purchase of 4¾ % Notes . . . . . | <b>147,257</b>             | 226,675             |
|  | <b><u>2,437,612</u></b>    | <u>2,214,255</u>    |
| Deficit at end of year . . . . .             | <b><u>\$19,924,690</u></b> | <u>\$22,362,302</u> |

(See accompanying notes)

# CONSOLIDATED STATEMENT OF SOURCE and APPLICATION OF FUNDS

Years ended December 31, 1967 and 1966

|  | <b>1967</b>         | <b>1966</b>  |
|--|---------------------|--------------|
| <b>SOURCE OF FUNDS:</b>  |                     |              |
| Earnings before depletion, depreciation and other charges . . . . .                          | <b>\$10,691,563</b> | \$10,220,130 |
| Long term borrowing . . . . .  | <b>600,000</b>      | 2,275,000    |
| Proceeds from sale of properties . . . . .   | <b>-</b>            | 988,244      |
|  | <b>11,291,563</b>   | 13,483,374   |
| <b>APPLICATION OF FUNDS:</b>   |                     |              |
| Increase in production and other equipment . . . . .   | <b>1,393,620</b>    | 1,421,672    |
| Exploration and development expenses including rentals on non-producing properties . . . . . | <b>4,207,181</b>    | 4,899,573    |
| Acquisition of minority interest (Note 2) . . . . .  | <b>2,485,743</b>    | 87,553       |
| Retirement of long term debt . . . . .   | <b>7,019,355</b>    | 6,701,373    |
| Increase in investments and advances . . . . .   | <b>159,309</b>      | 144,957      |
|  | <b>15,265,208</b>   | 13,255,128   |
| Decrease in working capital for the year (increase) . . . . .                                | <b>\$ 3,973,645</b> | \$ (228,246) |

(See accompanying notes)

## AUDITORS' REPORT

To the Shareholders of  
Triad Oil Co. Ltd.

We have examined the consolidated balance sheet of Triad Oil Co. Ltd. and subsidiary companies as at December 31, 1967 and the consolidated statements of earnings, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of Triad Oil Co. Ltd. and subsidiary companies as at December 31, 1967 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta.  
February 29, 1968.

CLARKSON, GORDON & CO.  
Chartered Accountants.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1967

## 1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and all its subsidiaries. The excess of the consideration paid for the shares of purchased subsidiaries over the net book value of the related assets at dates of acquisition is attributable to property, plant and equipment and is included therein in the accompanying consolidated balance sheet.

## 2. ACQUISITION OF MINORITY INTEREST

Effective March 8, 1967 Devon-Palmer Oils Ltd. (a subsidiary) amalgamated with another subsidiary of Triad Oil Co. Ltd. The minority common shareholders of Devon-Palmer received 1,076,985 5 3/4% redeemable preferred shares of a par value of \$2.25 each of the amalgamated company in exchange for their common shares of Devon-Palmer, and Triad Oil Co. Ltd. became the owner of all of the common shares of the amalgamated company. The preferred shares of the amalgamated company were called for redemption at par on April 30, 1967. To December 31, 1967, 845,804 shares had been redeemed and the liability in respect of the remaining shares has been provided for in the accounts.

## 3. SHARES IN OTHER COMPANIES

The companies' investment in shares of other companies at December 31, 1967 consists of the following:

|  | Number of<br>Shares | Cost                          | Quoted<br>market<br>value     |
|--|---------------------|-------------------------------|-------------------------------|
| British Columbia Oil Lands Ltd. ....           | 329,319             | \$ 740,968                    | \$2,600,000                   |
| Northern and Central Gas Company Limited ..... | 83,756              | 1,071,578                     | 995,000                       |
| Other .....                                    |                     | 295,378                       | Not quoted                    |
|  |                     | <hr/> <hr/> <hr/> <hr/> <hr/> | <hr/> <hr/> <hr/> <hr/> <hr/> |
|  |                     | \$2,107,924                   |                               |

Because of the number of shares involved, the market values are not necessarily indicative of the amount that could be realized if these investments were sold.

## 4. LONG TERM DEBT

Details of the companies' long term debt are as follows:

|  | 1967                          | 1966                          |
|--|-------------------------------|-------------------------------|
| Triad Oil Co. Ltd. –   |                               |                               |
| 4 3/4% Notes due September 15, 1971 subject to annual sinking fund payments of \$2,143,000 (\$11,857,000 held by an affiliate) ..... | \$22,571,000                  | \$25,714,000                  |
| Bank loans secured by certain oil and gas properties, payable over a period of five years .....                                      | 5,786,825                     | 6,455,525                     |
| Notes payable monthly to July 15, 1980, out of the proceeds from production of certain properties                                    |                               |                               |
| 5 3/4% Series A Notes .....  | 2,665,240                     | 3,667,640                     |
| 6 1/4% Series B Notes (repayments commence 1971) .....   | 21,000,000                    | 18,500,000                    |
| 5% Loan payable on July 1, 1968  | 3,000,000                     | 6,000,000                     |
| Accrued interest thereon .....   | 69,452                        | 138,904                       |
| (The principal and interest on this loan will be paid out of the proceeds of the issue of additional 5 3/4% Series A Notes).         |                               |                               |
| Subsidiaries –   |                               |                               |
| 5 1/2% Promissory Note payable \$1,000,000 annually to an affiliate from 1968 to 1971 and the balance in 1972 and 1973 .....         | 11,958,473                    | 12,958,473                    |
| 5 3/4% First Mortgage Bonds due 1971 subject to annual sinking fund payments (\$785,373 in 1968) .....                               | 980,145                       | 1,400,000                     |
| 5% First Mortgage Bonds due 1982 subject to annual sinking fund payments of \$56,000 in 1968 and declining amounts thereafter .....  | 686,000                       | 744,000                       |
| Included in current liabilities as due within one year .....   | <hr/> <hr/> <hr/> <hr/> <hr/> | <hr/> <hr/> <hr/> <hr/> <hr/> |
|  | 68,717,135                    | 75,578,542                    |
|  | 4,752,851                     | 5,047,646                     |
|  | <hr/> <hr/> <hr/> <hr/> <hr/> | <hr/> <hr/> <hr/> <hr/> <hr/> |
|  | \$63,964,284                  | \$70,530,896                  |

In addition to the amount included in current liabilities shown above, it is estimated that repayments of the 5 3/4% Series A Notes of Triad Oil Co. Ltd. from 1968 production proceeds will amount to \$1,650,000.

## 5. INCOME TAXES

It is the practice of the companies to capitalize the acquisition cost of properties and productive drilling and development expenditures. Under Canadian income tax law, such expenditures are deductible from income in the year incurred or, if expenditures exceed income for the year, the excess may be carried forward to subsequent years. As a result, no provision for income taxes was required for the year ended December 31, 1967 and at that date, accumulated expenditures of approximately \$45,000,000 were available to be carried forward and applied against future taxable income.

## 6. STATUTORY INFORMATION

The aggregate direct remuneration of the directors and senior officers of the Company during 1967 amounted to \$165,620.

## **TRANSFER AGENTS AND REGISTRARS**

### **CANADA**

Canada Permanent Trust Company  
*Calgary - Vancouver - Winnipeg - Montreal*  
The Canada Trust Company  
*Toronto*

### **UNITED STATES**

Morgan Guaranty Trust Company of New York  
*Transfer Agent*  
*New York*  
The Bank of New York  
*Registrar*  
*New York*

### **TRUSTEE**

Canada Permanent Trust Company

### **AUDITORS**

Clarkson, Gordon & Co.

### **STOCK EXCHANGE LISTINGS**

*Toronto - Montreal - Calgary -Vancouver*

### **SUBSIDIARY AND AFFILIATED COMPANIES**

Triad Petroleum Development Ltd. – *incorporated under the Laws of Canada (100% owned)*  
Triad Realties Ltd. – *incorporated under the Laws of the Province of Alberta (100% owned)*  
Triad Oil Company of Canada – *incorporated under the Laws of the State of Delaware (100% owned)*  
Triad Oil Manitoba Ltd. – *incorporated under the Laws of the Province of Manitoba (100% owned)*  
British Columbia Oil Lands Ltd. – *incorporated under the Laws of the Province of British Columbia (34.8% owned by Triad Manitoba)*

